

**AGENDA:** May 27, 2003

**7.6**

**CATEGORY:** New Business

**DEPT.:** City Manager

**TITLE:** Examination of ACA 1 (Longville),  
AB 51 (Simitian) and HR 1102 (Sanders)

### **RECOMMENDATION**

Review and discuss ACA 1 (Longville), AB 51 (Simitian) and HR 1102 (Sanders) and consider whether or not to take a position regarding these proposals.

### **FISCAL IMPACT**

There is no fiscal impact directly associated with taking a position on ACA 1 (Longville), AB 51 (Simitian) and HR 1102 (Sanders). However, if any of the aforementioned legislation is codified, there is the possibility of fiscal impact as discussed in the body of this report.

### **BACKGROUND AND ANALYSIS**

The Santa Clara County Cities Association (SCCCA) Legislative Action Committee has requested that the City Council review and possibly take positions regarding three issues. These are: ACA 1 (Longville)—Passage of the Budget; AB 51 (Simitian)—Land Use Planning, Child Care Facilities; and HR 1102 (Sanders)—National Housing Trust Fund.

#### **ACA 1 (Longville): Passage of the Budget**

##### **Summary**

Currently, under the California Constitution, a statute will take immediate effect upon enactment if the statute calls an election, provides for a tax levy, makes an appropriation for the usual current expenses of the State or is an urgency statute. ACA 1 (Attachment 1), authored by Assembly member John Longville (62nd District—Inland Empire), would amend this provision of the California Constitution to additionally provide that a statute enacting a budget bill would be effective immediately upon enactment.

Currently, under the California Constitution, the budget must be passed by June 15; however, there is no penalty for missing this deadline. One of the impacts of failure to pass the budget by July 1 is that the State is unable to meet some of its financial obligations such as payments to State contractors and some transfers to local governments. At the current time, salaries of State employees are still paid, even if the budget has not been passed by July 1.

Under the California Constitution, appropriations from the General Fund of the State, excluding appropriations for the public schools, are void unless passed in each house with two-thirds of the membership concurring. This measure would exclude appropriations made in the budget bill from the two-thirds-vote requirement. ACA 1 would also provide that, notwithstanding current constitutional requirements of a two-thirds vote for urgency statutes and statutes increasing State tax revenues, a bill making changes in law to implement an enacted budget bill may be passed by a majority vote in each house and shall take effect immediately if the bill so provides.

Under the California Constitution, the Legislature is required to pass a budget bill by midnight on June 15 for the ensuing fiscal year. This measure would amend the California Constitution to require that, if a budget bill is not passed by midnight on June 30, members of the Legislature forfeit any salary or reimbursement for travel and living expenses for the period from July 1 to the date a budget bill is passed.

### Analysis

ACA 1 essentially provides an incentive for legislators to pass the budget by June 30 by stating that they must approve the budget by June 30 or risk negative financial ramifications. Therefore, legislators may be influenced to approve a budget that still has flaws in order to avoid forfeiting salary or reimbursement for travel and living expenses.

ACA 1 would also allow for passage of the budget with a majority vote as opposed to a two-thirds vote. This would increase the likelihood of approval of the budget by June 15, a situation that has not occurred for many years.

ACA 1 has been referred to the Commission on Budget, Resolutions and Constitutional Amendments. A hearing has not yet been scheduled. If ACA 1 is passed by a two-thirds majority of each house, it will be presented as a ballot initiative in the next State-wide election that is at least 131 days after the passage of the bill into law. Currently, there is no independent analysis available on this bill.

Supporters include: Congress of California Seniors, Gray Panthers and Friends Committee on Legislation. A complete list of opponents has not been compiled. The Santa Clara County Cities Association (SCCCA) will be considering whether or not to take a position in opposition to this bill at their May 29, 2003 meeting, but they have not yet taken a position on the bill. SCCCA has requested that its membership cities consider this legislation. The League of California Cities (LCC) is also watching this bill but has not yet taken a position. Those entities seeking a redraft of the bill are primarily concerned with the punitive portions of the bill that would withhold salaries and reimbursements for legislators if the budget is

not passed by June 30. Most of the groups and individuals expressing discontent with the bill are in favor of the portion that applies to allowing for passage of the budget with a majority vote.

**AB 51 (Simitian): Land Use Planning, Child Care Facilities**

Background

This bill would require, upon the adoption or amendment of a city or county's general plan, on or after January 1, 2005, the land use element of the general plan to address the distribution of certain child-care facilities.

Assembly member Simitian authored AB 2954 in the 2001-02 legislative session. AB 51 (Attachment 2) is very similar to AB 2954 which was vetoed by the Governor. The City did not take a position on AB 2954. According to the Assembly Floor analysis, AB 2954 would not have created an entirely new mandatory element for cities and counties to incorporate into any adoption or revision of their general plans. Rather, it would have called on cities and counties to consider and incorporate the distribution of child-care facilities within current mandatory land use elements.

The Governor vetoed AB 2954 last year due to the State reimbursing the mandated portion of the bill. As a result, AB 51 has language declaring the ability of local governments to levy service charges and fees to recover the costs to provide such services.

According to the City of Mountain View Community Child-Care Center Feasibility Analysis, produced by the International Child Resource Institute in 2000, an estimated 60 percent of the children in Mountain View come from homes where either both parents are working outside of the home or the children live with a single working parent (ABAG employment statistics). In the year 2000, over 7,700 children in the City of Mountain View were likely in need of child care. According to this study, the demand for child care in the Mountain View area is much greater than the licensed supply. The shortfall in child-care spaces needed to meet the demand was estimated to be over 5,800 slots in the year 2000. The estimated shortfall in child-care supply is expected to rise to approximately 8,000 by 2005.

Supporters of AB 51 include: Santa Clara County Board of Supervisors, San Mateo County, American Planning Association (California Chapter), California State Association of Counties, California Federation of Teachers, California Child Care Resource and Referral Network, California National Organization for Women, Junior Leagues of California and Child Care Coordinating Council of San Mateo County. The Santa Clara County Cities Association (SCCCA) and League of California Cities (LCC) have requested that the City of Mountain View consider taking a position in support of AB 51. Neither the SCCCA, nor the LCC, have

taken positions on AB 51, but the SCCCA expects to consider the legislation at their May 29 meeting. Supporters have indicated that they favor this proposal because it supports the goal of developing more child-care facilities throughout the State without specifying the amount of time, land or resources that must be dedicated to this purpose.

Opponents include: the County of San Diego and the City of Moreno Valley. The opposition has voiced concerns that this legislation encroaches on an area that they believe should only be considered by local government. Independent analysis of AB 51 is attached (Attachment 3).

There is no fiscal impact directly associated with support of AB 51. However, if AB 51 were codified, staff time and resources would be required to include a child-care element into the City's General Plan. By increasing the duties of local officials, this bill would impose an unfunded State-mandated local program.

### **HR 1102 (Sanders): National Housing Trust Fund**

#### Background

The stated purpose of HR 1102 (Attachment 4), authored by Representative Bernard Sanders (I-Vermont) and cosponsored by 190 members of Congress, is:

1. To fill the growing gap in the national ability to build affordable housing by using profits generated by Federal housing programs to fund additional housing activities without supplanting existing housing appropriations.
2. To enable rental housing to be built for families with the greatest economic need, in mixed-income settings and in areas with the greatest economic opportunities.
3. To promote home ownership for low-income families.
4. To produce, rehabilitate and preserve at least 1,500,000 affordable dwelling units over the next decade.

Funding for HR 1102 will originate from surplus Federal Housing Administration (FHA) funds which will provide the major dedicated source of revenue. Please see Attachment 5 for additional information on the FHA surplus.

The Secretary of the Treasury will allocate 40 percent of the funds from this trust for states for use under one section of the bill and 60 percent for participating local jurisdictions for use under another section of the bill. The formula that will be applied to determine which

jurisdictions will receive allocations from the National Housing Trust Fund (Fund) favors communities, such as Mountain View, where there are very low vacancy rates, the cost of new construction is high and residents often pay more than 50 percent of their income toward housing (see Section 294 of Attachment 4). Therefore, the fund has the potential to directly impact the City of Mountain View's ability to develop affordable housing by providing additional potential sources of funding.

The Fund also allows for the use of matching funds from the sources that are currently the primary funding basis for the development of affordable housing in Mountain View. These sources include: low-income housing tax credit allocations, mortgage bond revenue, tax-exempt bond proceeds, CDBG and HOME Program amounts, project-based voucher assistance (e.g., Section 8) and general State revenue. Cities that are in severe economic distress (as defined by the bill) would be either partially or completely exempt from the matching Fund requirements.

Under Section 295 of the bill, there is specific language that outlines the allocation requirements, stating that at least 45 percent of the allocations must go toward rental housing for extremely low-income families, at least 30 percent must go toward rental housing for minimum-wage income families, no more than 25 percent may go toward rental and home ownership assistance for low-income families and no more than 5 percent may go toward operating assistance for nonprofit housing development organizations. Therefore, if the City were to receive funding, it would go toward projects, such as the efficiency studios project and other similar developments, that would enable Mountain View to provide housing for residents such as senior citizens, those with disabilities and minimum-wage income earners.

### Analysis

HR 1102 creates an affordable housing trust fund to provide Federal dollars for the development, rehabilitation and preservation of affordable and safe low-income housing. If enacted, HR 1102 would provide the potential for increased funding for the development of affordable housing.

There is bipartisan support in Congress for housing production and preservation in the form of a National Housing Trust Fund. This bill has also received support from over 4,100 organizations and individual leaders, including the following entities: American Planning Association, National League of Cities, AFL-CIO Housing Investment Trust, Mercy Housing, Inc., City/County of San Francisco, City of San Jose, Town of Los Gatos, San Francisco County Board of Supervisors, City of Santa Barbara and Santa Clara County Board of Supervisors, among others. It has also been endorsed by the following local elected officials: Representatives Anna Eshoo, Mike Honda, Tom Lantos and Zoe Lofgren; State Senators Byron Sher and John Vasconcellos; Assembly members John Dutra, Simon Salinas,

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Manny Diaz, Sally Lieber and Joe Simitian; and Mayor Willie Brown. Opponents include: U.S. Department of Housing and Urban Development, National Council of State Housing Agencies and a number of homebuilders, real estate agents and mortgage brokers. The opponents are concerned about the allocation of FHA funds for this purpose because these funds are currently incorporated into the HUD budget and would simply be reallocated to support HR 1102. Therefore, opponents are fearful that other programs would eventually go unfunded.

There is no fiscal impact to the City directly associated with support of HR 1102; however, if HR 1102 is codified, it could result in increased funding for the development of affordable housing.

### **CONCLUSION**

The SCCCA has requested that Council examine ACA 1 (Longville), AB 51 (Simitian) and HR 1102 (Sanders). This agenda item has been proposed to allow the City Council to review these issues and consider taking positions regarding them.

**PUBLIC NOTICING**—Agenda posting.

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Attachments: 1. ACA 1  
2. AB 51  
3. AB 51 Legislative Analysis  
4. HR 1102  
5. FHA "Surplus" FAQ Sheet